

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 155180

17

ORIGIN EB-07

INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04

DODE-00 PA-01 PRS-01 /077 R

DRAFTED BY EB/OT/TA:RMEYER::TREAS;JSCHOTT:SAM

APPROVED BY EB/OT/TA:WBARRACLOUGH

EA/J:DSMITH

COMM:ARYDER

STR:ELAPP

----- 016063

R 011859Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

INFO USMISSION OECD PARIS

USMISSION GENEVA

USDEL MTN GENEVA

LIMITED OFFICIAL USE STATE 155180

E.O. 11652: N/A

TAGS: ETRD, JA

SUBJECT: TAX RESERVE PLAN

REF: TOKYO 8000 (NOTAL)

1. EMBASSY IS REQUESTED TO APPROACH MITI AT APPROPRIATE
LEVEL TO REGISTER OUR CONCERN OVER REPORTS THAT MITI IS
CONSIDERING ESTABLISHMENT OF A TAX RESERVE SYSTEM WHEREBY
25 PER CENT OF THE VALUE OF A PROPOSED PLANT EXPORT TRANS-
ACTION OF AT LEAST 100 BILLION YEN IN VALUE COULD BE SET
ASIDE AS A RESERVE AGAINST LOSSES, THUS PROVIDING FAVORABLE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 155180

TAX TREATMENT.

2. EMBASSY SHOULD CITE OUR WELL-KNOWN AND CONSISTENT OP-
POSITION TO ARTIFICIAL STIMULANTS TO EXPORTS, AND SHOULD
STRESS THAT WE WOULD REGARD THE PROPOSED RESERVE FUND SCHEME
AS AN ARTIFICIAL STIMULUS TO EXPORTS WHICH WOULD VIOLATE
THE RECENTLY RENEWED OECD TRADE PLEDGE. THE WORLD TRADE
AND ECONOMIC SITUATION HAS BEEN AND REMAINS IN A VERY
SENSITIVE STATE, WITH MANY COUNTRIES UNDER INTENSE PRES-
SURE FROM DOMESTIC INTERESTS TO ARTIFICIALLY STIMULATE
EXPORTS. EVERY STIMULATIVE DEVICE ADOPTED BY OTHER COUN-
TRIES FOR THEIR EXPORTS INTENSIFIES PRESSURES FOR SIMILAR
BEGGAR-THY-NEIGHBOR POLICIES BY THEIR TRADING PARTNERS.

3. IN PARTICULAR, THE JAPANESE TAX RESERVE PLAN SEEMS
TO INVOLVE A DE FACTO GOVERNMENT SUBSIDY ON CONTRACTS
FOR THE EXPORTS OF LARGE PLANTS. WE BELIEVE SUCH TAX
TREATMENT WOULD AMOUNT TO AN OUTRIGHT EXPORT SUBSIDY
IN VIOLATION OF JAPAN'S COMMITMENTS IN THE GATT. THE
PLAN IS DESIGNED TO STIMULATE PLANT EXPORTS IN LIKE
MANNER TO THE EXPORT INFLATION INSURANCE PROPOSAL WHICH
WE OPPOSED AND WHICH THE JAPANESE GOVERNMENT HAS DECIDED
NOT TO INSTITUTE.

4. WE HOPE THAT JAPAN, WHICH IS COMMITTED TO AN OPEN
TRADING SYSTEM, AND HAS DEMONSTRATED THAT COMMITMENT BY
SIGNING AND RENEWING THE OECD TRADE PLEDGE AND BY VIGO-
ROUSLY SUPPORTING THE MTN, WILL CONTINUE TO RESIST
DOMESTIC PRESSURES FOR ACTIONS WHICH ARE ULTIMATELY
COUNTERPRODUCTIVE.

5. TO EVALUATE FURTHER THE EFFECT OF SUCH TAX MEASURES
ON JAPANESE TRADE, EMBASSY IS REQUESTED TO OBTAIN MORE
INFO ON PLAN FROM MITI. IT IS NOT CLEAR WHETHER THIS
PLAN WOULD COVER ONLY LOSSES DUE TO INFLATIONARY COST
INCREASES AND EXCHANGE RATE CHANGES, OR WOULD ENTAIL
A GENERAL TAX BREAK FOR EXPORTING FIRMS REGARDLESS OF
CAUSE OF LOSS. INGERSOLL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, TAX PRIVILEGES, BUSINESS LOSSES
Control Number: n/a
Copy: SINGLE
Draft Date: 01 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE155180
Document Source: CORE
Document Unique ID: 00
Drafter: RMEYER::TREAS;JSCHOTT:SAM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750228-0888
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750794/aaaadgln.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 TOKYO 8000
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 16 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 MAY 2003 by ShawDG>; APPROVED <03 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TAX RESERVE PLAN
TAGS: ETRD, JA
To: TOKYO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006